1989-90

Public Accounts Digest

FOR THE FISCAL YEAR ENDED MARCH 31, 1990

PROVINCE OF BRITISH COLUMBIA

MINISTRY OF FINANCE AND CORPORATE RELATIONS

HON. MEL COUVELIER
Minister of Finance and Corporate Relations

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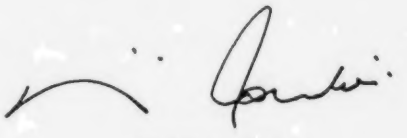
MESSAGE FROM THE MINISTER

The Public Accounts Digest summarizes the 1989/90 Public Accounts in a less technical fashion so it can be more easily understood. The information in this digest is taken from operating statements of the government and does not include Crown corporations.

I am pleased to report that, net of transfers to the Budget Stabilization Fund, the 1989/90 General Fund surplus of $136 million is an improvement of $457 million over the 1988/89 deficit of $321 million. I am also pleased to report that, as a result of this favourable financial situation and by liquidating temporary investments, the public debt was reduced by $710 million.

I am confident that this fifth digest continues to serve as an important link in the chain of accountability between the government and all British Columbians.



Mel Couvelier
Minister of Finance
and Corporate Relations

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INTRODUCTION

This digest highlights and summarizes in a less technical format some of the important financial information provided in the Public Accounts. The Public Accounts, published in two volumes, contain the government's audited financial statements, together with supporting schedules; a list of payments to elected officials, employees, suppliers and grant recipients; financial statements of Crown corporations and agencies, and the auditor's reports.

The Public Accounts provide the "accountability" link between what the Legislative Assembly has approved for spending through the *Supply Act* at the beginning of the fiscal year and what was actually spent throughout the fiscal year. The Public Accounts communicate the results of the government's financial operations for the fiscal year to the Legislative Assembly and to the general public.

The Digest begins with an overview of the financial process which illustrates the principal stages of planning, implementation, evaluation and accountability. The following sections summarize and highlight revenue, expenditure and public debt. A summary of significant accounting policies and financial statements is provided in the appendices.

We hope you find the Digest both interesting and informative. You may purchase the Public Accounts and the Digest from:

Crown Publications Inc.,
546 Yates Street,
Victoria, British Columbia
V8W 1K8
Telephone: (604) 386-4636
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OVERVIEW OF FINANCIAL PROCESS

The financial process consists of four main stages.

1. Planning

Each ministry first identifies activities that require funding and submits this proposed budget to Treasury Board or its designate, which then reviews the submissions and makes decisions on individual ministry budgets. Allocations to each ministry and program are arrived at in conjunction with revenue expectations and in harmony with the government's priorities.

2. Implementation

The Budget presented to the Legislative Assembly by the Minister of Finance and Corporate Relations is accompanied by the Estimates, a document, sometimes referred to as the "Blue Book", that contains a list of estimates of revenue and spending programs, supplementary tables and statistical material. Spending for programs and services under each ministry is grouped in the Estimates into packages or "votes". They are called votes because Members of the Legislative Assembly debate and then vote on each package.

Money is spent on government programs and services throughout the year as specified by the Budget. Records are maintained of how the money was spent, and the government's financial activities are closely monitored by Treasury Board.

3. Evaluation

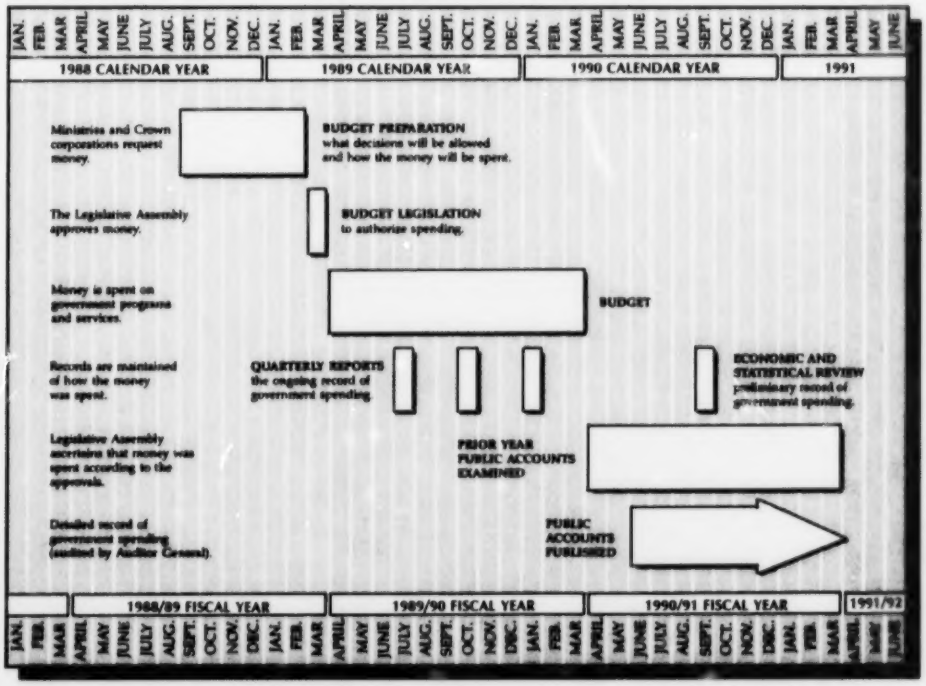
At the end of the financial year the Public Accounts are prepared by the Comptroller General providing detailed results of the government's financial operations. The Public Accounts are then audited by the Auditor General to ensure the financial statements present fairly the government's financial position.

4. Accountability

The Public Accounts are published and presented to the Legislative Assembly where they are examined to ensure government spending for the year was in accordance with what was approved for spending at the beginning of the year. The Public Accounts are then available to the general public.

The chart below provides a visual picture of the complete financial cycle.

The Financial Cycle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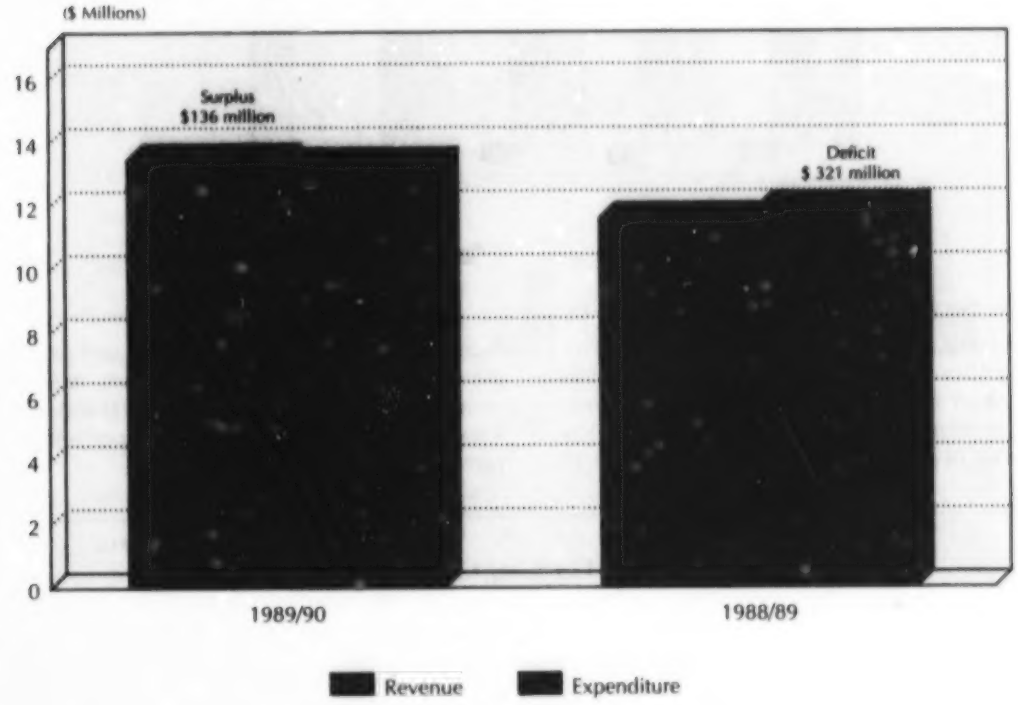
1988 CALENDAR YEAR
1989 CALENDAR YEAR
1990 CALENDAR YEAR
1991
Ministries and Crown corporations request money.
BUDGET PREPARATION
what decisions will be allowed and how the money will be spent.
The Legislative Assembly approves money.
BUDGET LEGISLATION
to authorize spending.
Money is spent on government programs and services.
BUDGET
Records are maintained of how the money was spent.
QUARTERLY REPORTS
the ongoing record of government spending
ECONOMIC AND STATISTICAL REVIEW
preliminary record of government spending.
Legislative Assembly ascertains that money was spent according to the approvals.
PRIOR YEAR PUBLIC ACCOUNTS EXAMINED
Detailed record of government spending (audited by Auditor General).
PUBLIC ACCOUNTS PUBLISHED
1988/89 FISCAL YEAR
1989/90 FISCAL YEAR
1990/91 FISCAL YEAR
1991/92

NET REVENUE AND EXPENDITURE

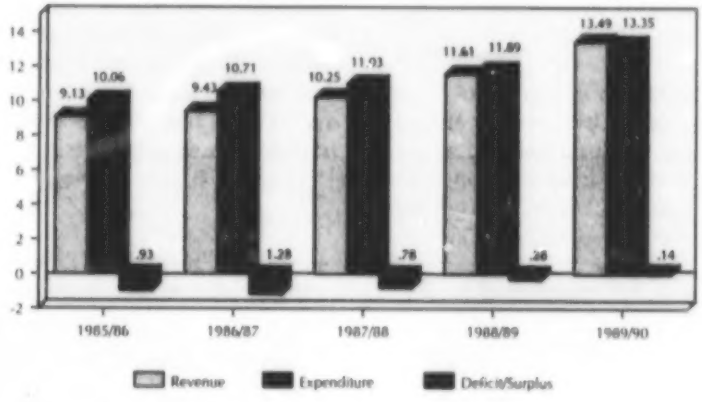
The General Fund had a surplus of $136 million for fiscal 1989/90. Net revenue of $13,487 million was an increase of 16 percent over the previous fiscal year after a net transfer of $52 million from the Budget Stabilization Fund and an $85 million transfer to the Privatization Benefits Fund. Operating expenditures were $13,329 million, 13 percent higher than the previous year, before an accounting adjustment (expense) of $22 million for valuation allowances.



The excess of revenue over expenditure (surplus) for 1989/90, when subtracted from previous years' accumulated deficits, gives a remaining excess of liabilities over recorded financial assets of $4.7 billion or $1,536 per person (provincial population of 3,053,300).

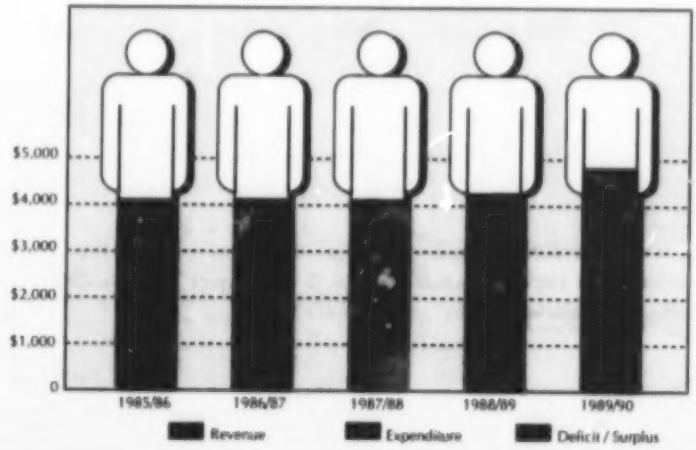
NET REVENUE AND EXPENDITURE

Net Financial Results
1985/86 to 1989/90



Provincial government general fund revenue increased by 48 percent from $9.13 billion in 1985/86 to $13.48 billion in 1989/90. When valuation allowances are included spending over the same period has increased by 33 percent from $10.06 billion to $13.35 billion. When the effects of inflation and population growth are taken into consideration, revenue increased by $742 per capita or 20 percent and spending increased by $321 per capita or eight percent over the same period.

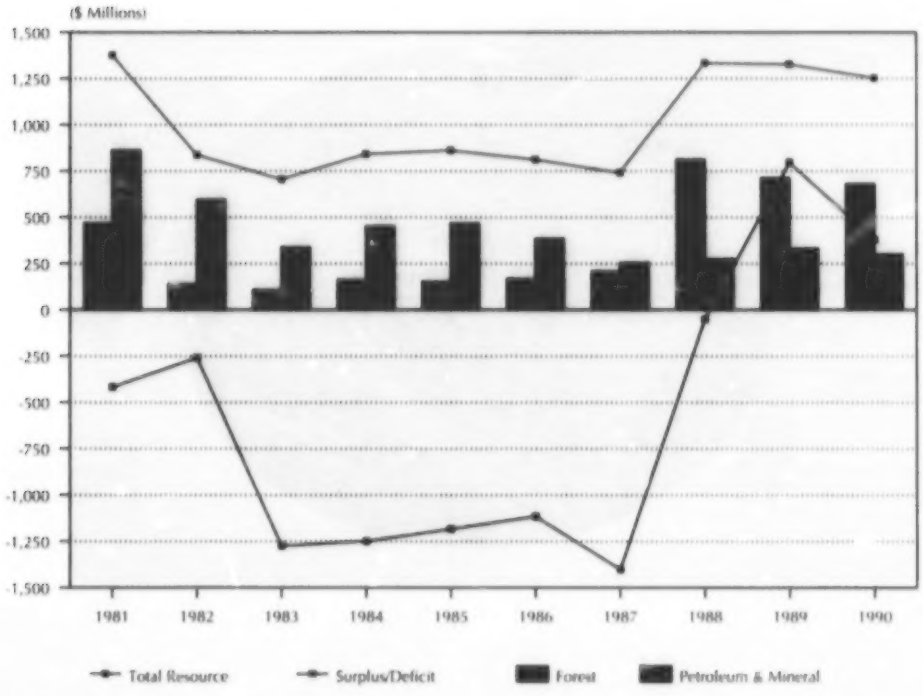
Per Capita
General Fund Operating Results
1985/86 to 1989/90 (1990 Dollars)



REVENUE

The cyclical nature of British Columbia's resource based economy makes budget planning difficult. The relationship between the natural resource revenue cycle and the province's surplus/deficit is graphically illustrated below.

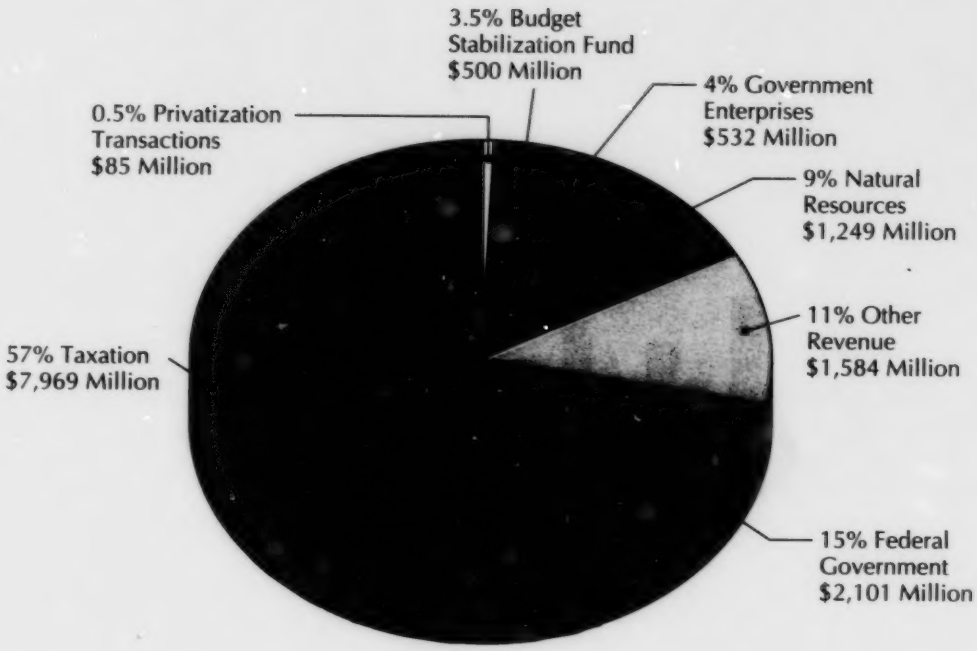
Natural Resource Revenue vs Surplus/Deficit for 1981 — 1990



* Surplus/Deficit based on Combined Fund Statements

The Budget Stabilization Fund was introduced in 1987/88 to cushion the province's finances from the cyclical nature of government revenue. In years of strong revenue growth, like 1987/88 and 1988/89, transfers were made to the Budget Stabilization Fund. In years of weak revenue growth, transfers are made from the Fund to the General Fund. In 1989/90, a $500 million transfer from the Budget Stabilization Fund to the General Fund was made. Due to higher-than-expected revenues during the year, excess revenue of $448 million was transferred back to the Budget Stabilization Fund at year-end, leaving a net transfer of $52 million. Appendix 3 provides details on budgeted and actual revenue by source.

REVENUE SOURCES

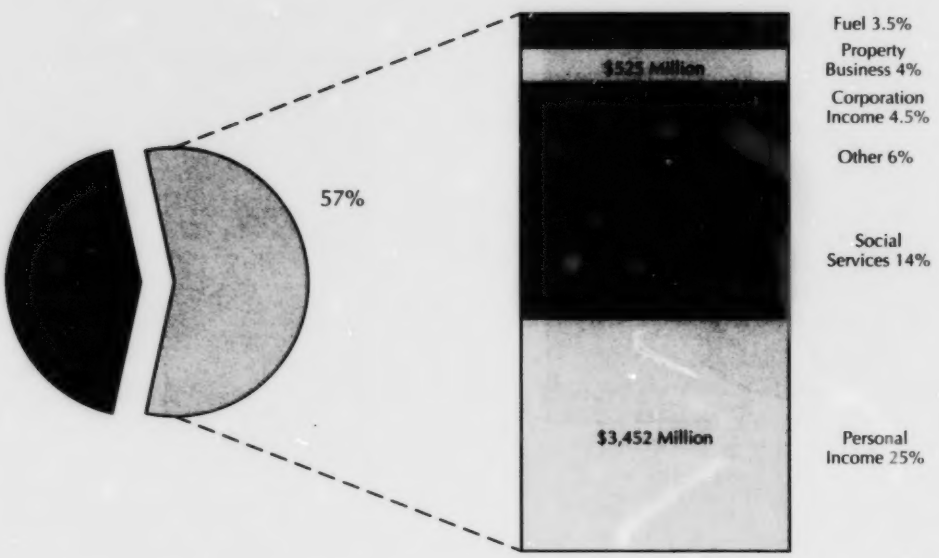


Gross Revenue $14,020 Million
Net Revenue $13,487 Million

General Fund revenue showed significant growth for the third consecutive year due to a continuing strong economy in British Columbia. Net revenue increased by $1,878 million over the prior year.

REVENUE

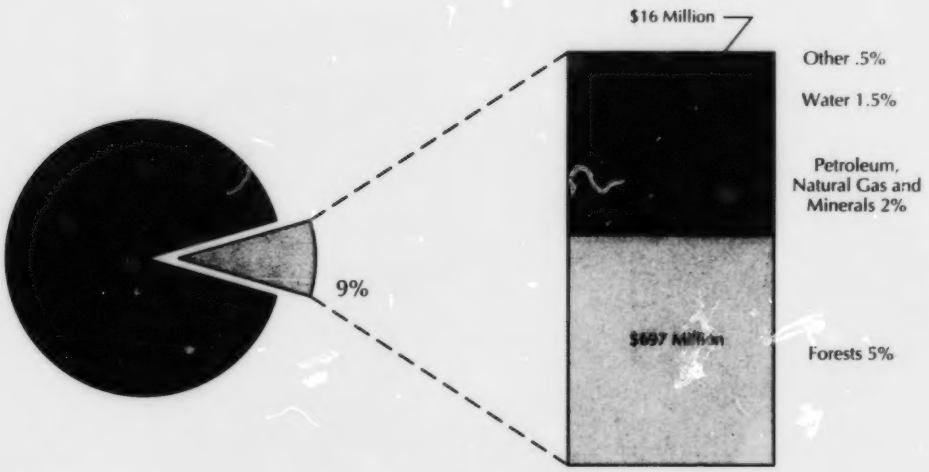
Taxation Revenue



Taxation revenue of $7,969 million was $995 million higher than during 1988/89. This revenue increase resulted from strong personal income growth (personal income tax) and strong consumer and investment spending (social service tax).

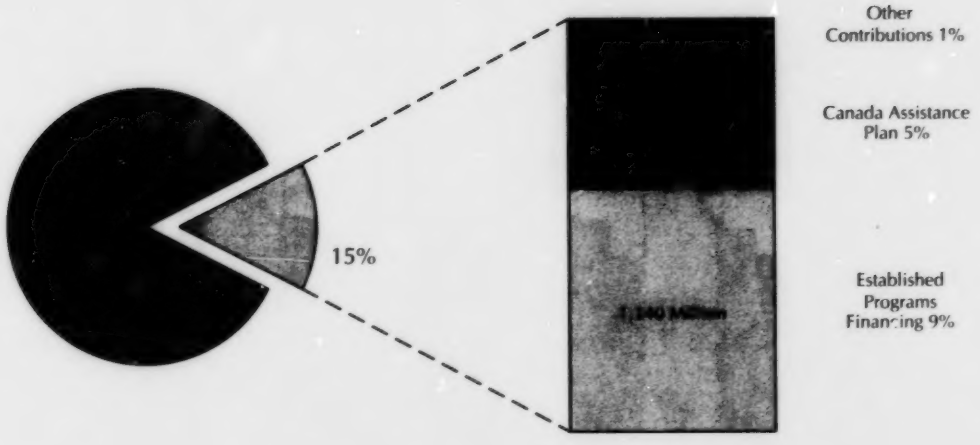
After taking into account the effects of inflation and population growth, total per capita taxes have increased by $512 over the period 1985/86 to 1989/90 and per capita personal income taxes have increased by $296 over the same period.

Natural Resource Revenue



Natural resource revenue of $1,249 million was $22 million less than last year. This decrease was primarily due to lower revenues from petroleum, natural gas, and water resources but partially offset by increases in forest revenue.

Contributions from the Federal Government



Contributions from the federal government of $2,101 million were $9 million lower than the previous year. Established Programs Financing includes payments for post-secondary education and health care purposes. Canada Assistance Plan payments are received for cost-shared expenditure made by the provincial government for social assistance and welfare services. The other contributions are received under cost sharing agreements, primarily for manpower training and economic development.

Contributions From Government Enterprises

Contributions from government enterprises of $532 million were $94 million higher than the previous year. A distribution of $101 million from British Columbia Hydro and Power Authority was partially offset by a decrease in dividends paid by British Columbia Buildings Corporation.

Privatization Transactions

Net proceeds of $85 million were received from the government's privatization initiative. This included $61 million from British Columbia Enterprise Corporation's land sales and $15 million from the sale and lease of highway maintenance assets.

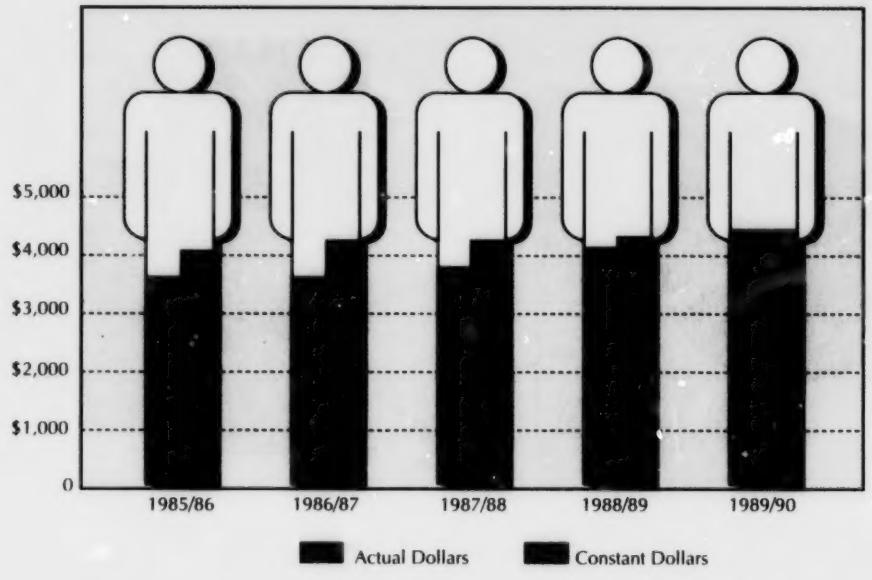
Other Revenue

Other revenue of $1,584 million was $176 million more than 1988/89. This increase was due to higher Medical Services Plan premium revenue, increased fines and penalties, and higher interest on investments.

EXPENDITURE

Provincial government spending of $13,329 million during 1989/90 was $158 million less than the original budget estimate and an increase of 13 per cent from the previous year.

General Fund Expenditure per Capita



When the government's spending for the past five years is related to each individual within the Province and the decreased spending power of the dollar is allowed for, government spending has increased by $321 per capita over the past five years. In actual dollars the increase was $866 per individual.

Total General Fund Expenditure

Due to the complexity of government it is necessary to report total expenditure in four different ways. They are:

- spending by appropriation (how it was voted by the Legislature);
- spending by function (purpose for which money was spent);
- spending by major category of goods and/or services acquired; and
- list of expenditure by recipient.

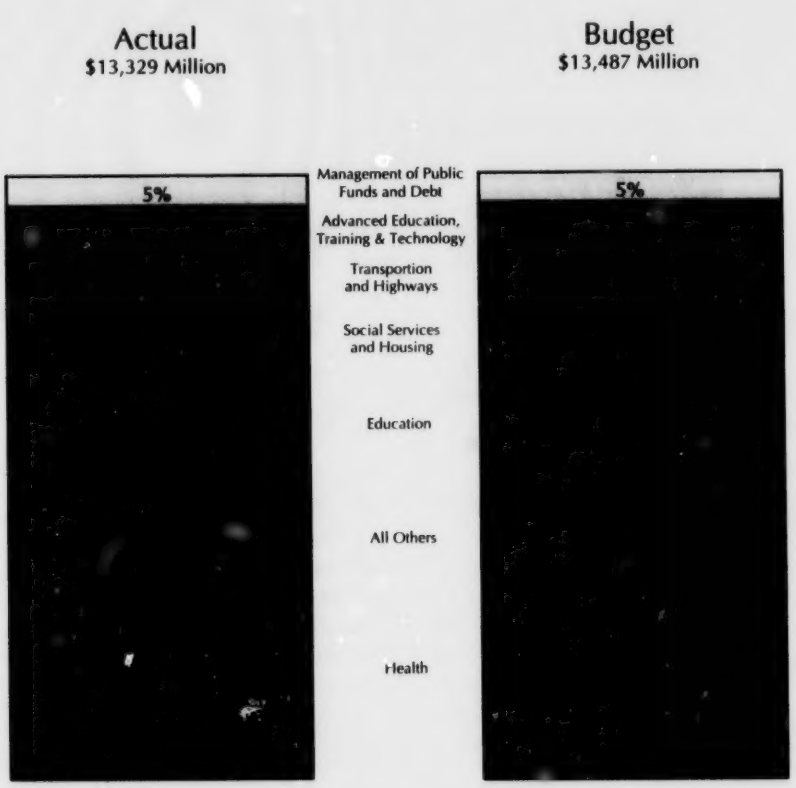
Each method reflects a different view of the expenses of government, the first three representing different summarizations of the individual expenses and the fourth a more detailed listing. Additional comments on the summarization methods and results are provided on the following pages.

EXPENDITURE

SPENDING BY APPROPRIATION

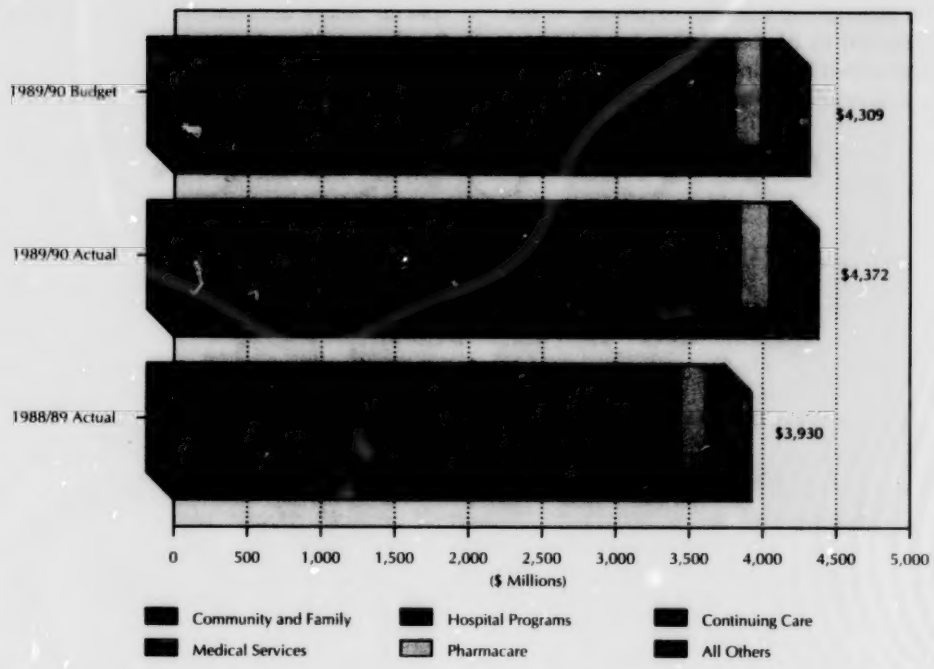
The expenditure by appropriation statements are intended to compare actual spending to the originally budgeted and appropriated (voted) expenses. As the budget is presented to the Legislative Assembly for approval summarized by ministry, the statement reporting the actual result is summarized the same way.

As can be seen, during 1989/90, public debt interest and five of the 26 government ministries and special offices accounted for 83 percent of General Fund expenditure.



EXPENDITURE

Ministry of Health



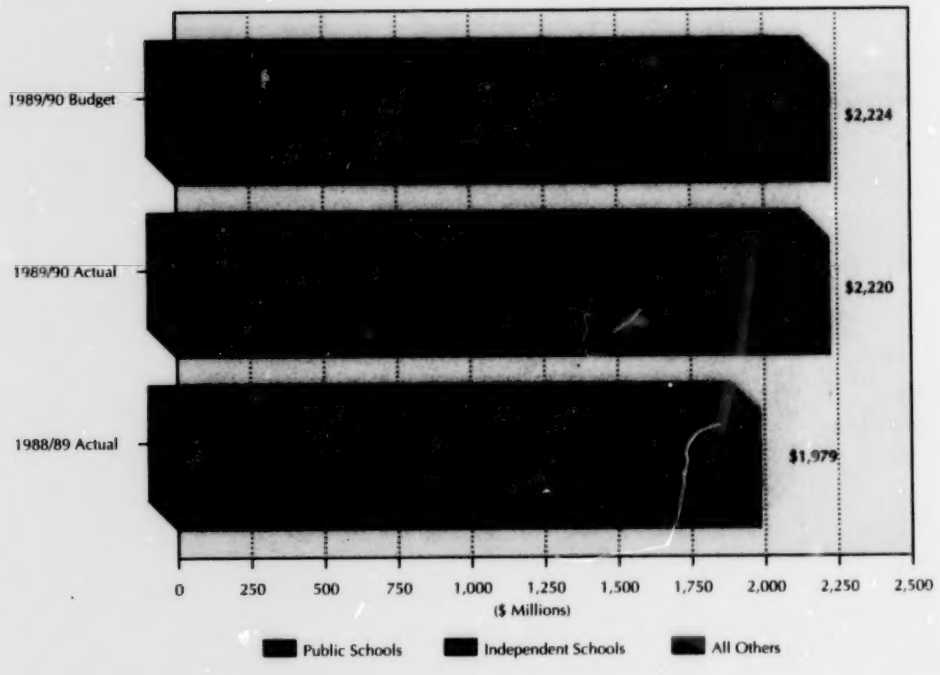
A breakdown of Ministry of Health expenditure over the last two years and the current year budget is provided in the chart above.

As the chart indicates, hospital programs, with a total spending of $2.1 billion, is the largest program within Ministry of Health. Operating contributions to hospitals represented 93 percent of that program's costs and increased by 12 percent over fiscal 1988/89. This supported 11,439 beds and 1,217 bassinets in the province's 97 acute care hospitals, 428 beds in four rehabilitation care hospitals, 7,765 beds in 92 extended care hospitals and units, and 16 diagnostic and treatment centres.

During the 1989/90 fiscal year 433,000 acute/rehabilitation patients were admitted to the province's hospitals, with an average stay of 7.5 days. Acute care and rehabilitation patients and long-term care patents in acute care facilities received a total of 3.2 million days of care, while extended care patients received 2.3 million days of care. Out patient services included 184,000 day-surgery visits, 1.5 million emergency and short-stay surgery visits, 46,000 kidney dialysis visits, 121,000 psychiatric visits and 630,000 physiotherapy visits. Hospital program costs also include assistance for various types of capital expenditures by the hospitals.

Medical Services Plan payments increased seven per cent to $1.1 billion for fiscal 1989/90. The majority was paid to physicians and surgeons except for $67 million paid for chiropractic, optometric, physiotherapy and other services to supplementary care practitioners. The administration of the plan cost an additional $31 million.

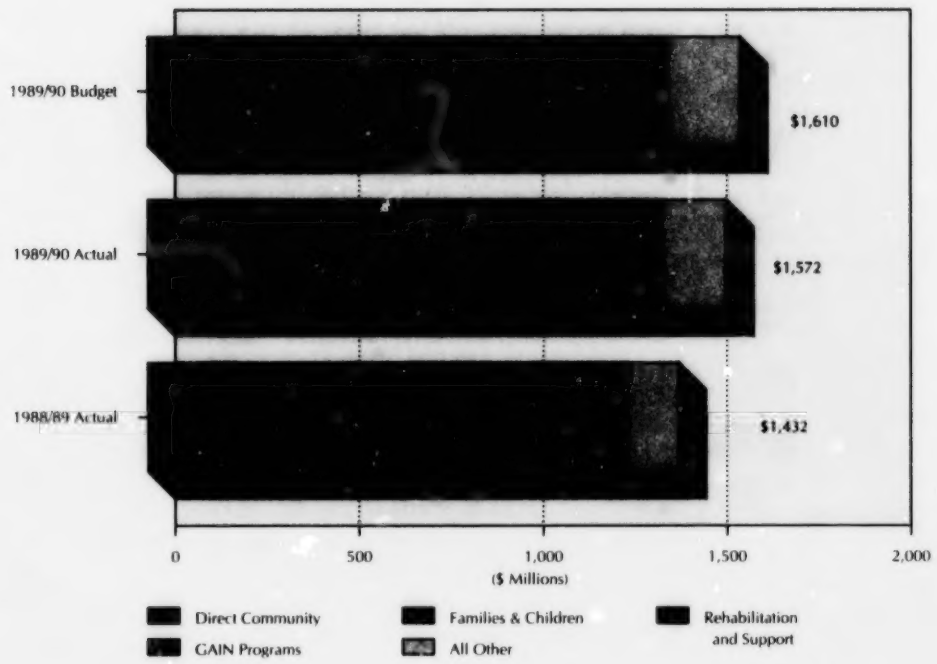
Ministry of Education



Ministry of Education expenditure of $2,220 million was $4.7 million under the budget estimate and up $240 million from the previous year. The increase from last year was primarily due to a $187 million increase in public school education costs. This increase resulted from a 13,603 increase in student enrolment within the public school system and a $506 increase in cost per student. There are now 492,642 student full time equivalents enrolled within the public school system requiring an estimated total expenditure per pupil of $5,454. The province funded approximately 78 percent of that cost.

EXPENDITURE

Ministry of Social Services and Housing



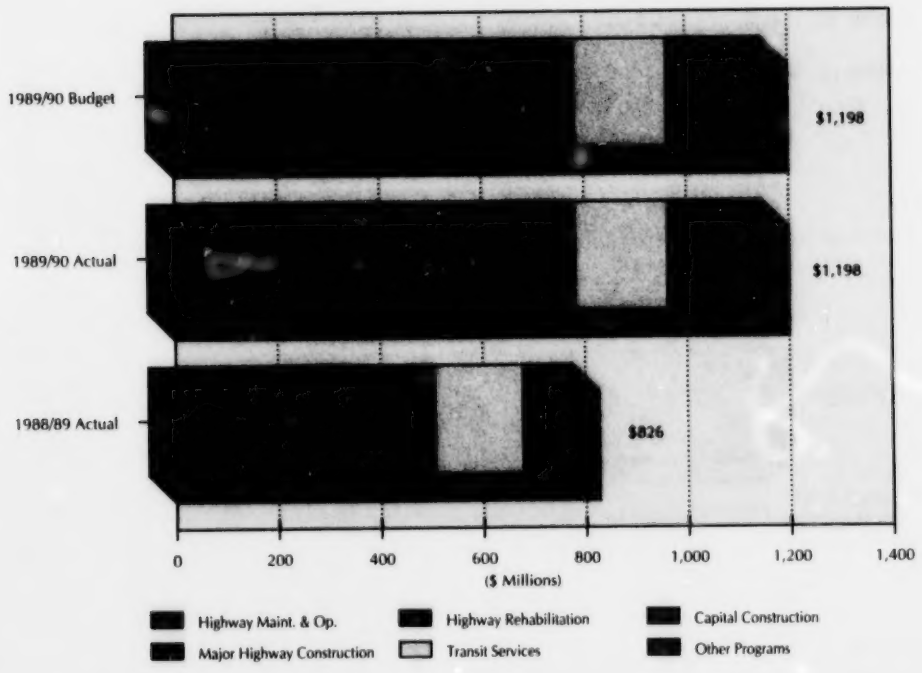
Expenditure by the Ministry of Social Services and Housing during 1989/90 was $1,572 million, $38 million below the original budget estimate and $139 million above 1988/89 expenditure.

The budget variance was due in part to less-than-expected GAIN program expenditures. At March 31, 1990, assistance was provided to 125,744 individuals and 90,215 dependents.

Major expenditure increases from the previous year for the ministry were for Direct Community Services programs (up $16 million), Services for Families and Children (up $27 million), Rehabilitation and Support Services (up $33 million), GAIN programs (up $18 million), and Opportunities to Independence programs (up $17 million).

EXPENDITURE

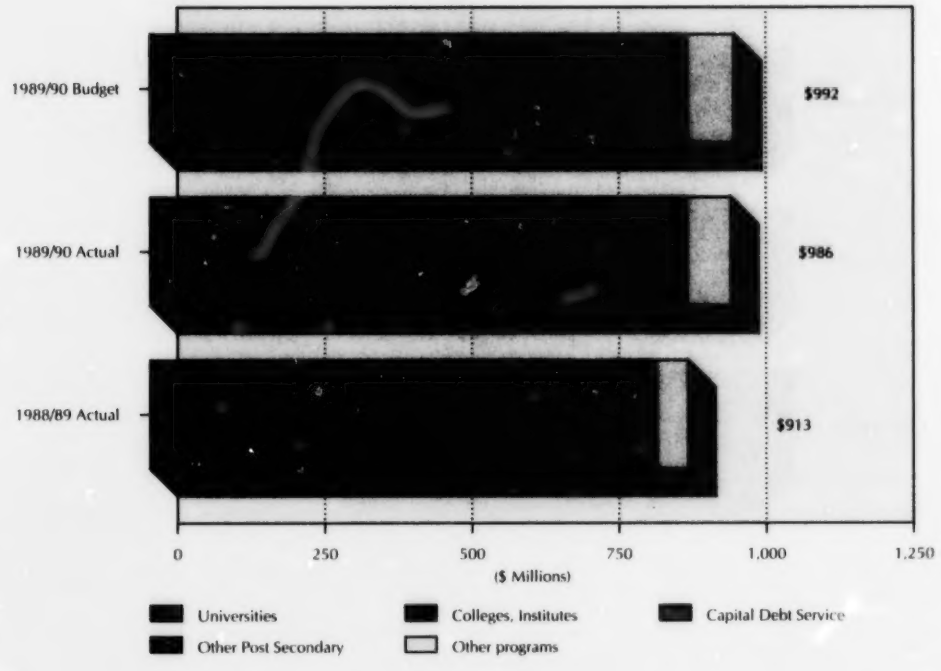
Ministry of Transportation and Highways



As can be seen by the chart, expenditure by the Ministry of Transportation and Highways was up significantly from fiscal 1988/89. Major highway capital construction was up $109 million while capital construction and highway rehabilitation were up $78 million and $58 million respectively.

EXPENDITURE

Ministry of Advanced Education, Training and Technology



Expenditure for the Ministry of Advanced Education, Training and Technology totalled $986 million in fiscal 1989/90. Spending for Advanced Education programs totalled $912 million during fiscal 1989/90 or 92 percent of the ministry's total expenditure. This included: university operating contributions and a matching program of $374 million and $20 million respectively; operating contributions to colleges and institutes of $317 million; $96 million for capital debt servicing; and, $104 million for various other related programs such as distance education, access programs and student financial assistance.

The remaining eight percent of the ministry's expenditure ($74 million) are divided amongst administration costs of the ministry programs, job training and apprenticeship programs and science and technology programs on a roughly even basis.

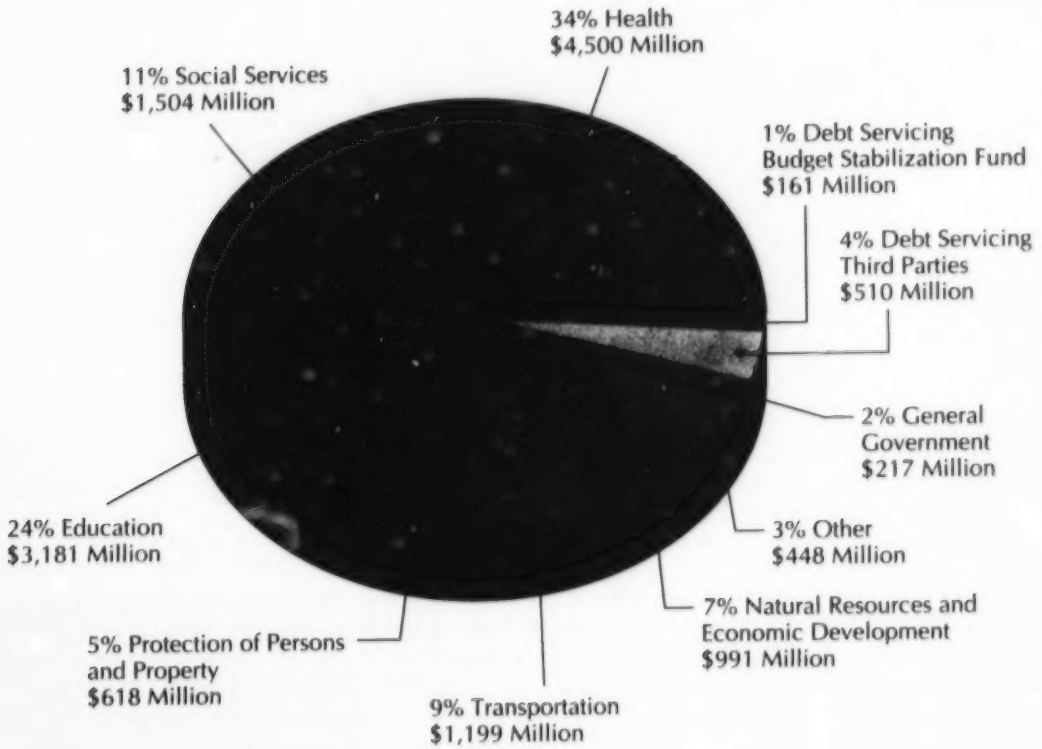
Remaining Ministries

Appendix 3 provides details of appropriation spending compared to budget and 1988/89 amounts. Section D of Volume I of the Public Accounts provides more details on each ministry's spending by program related to available appropriations.

EXPENDITURE BY FUNCTION

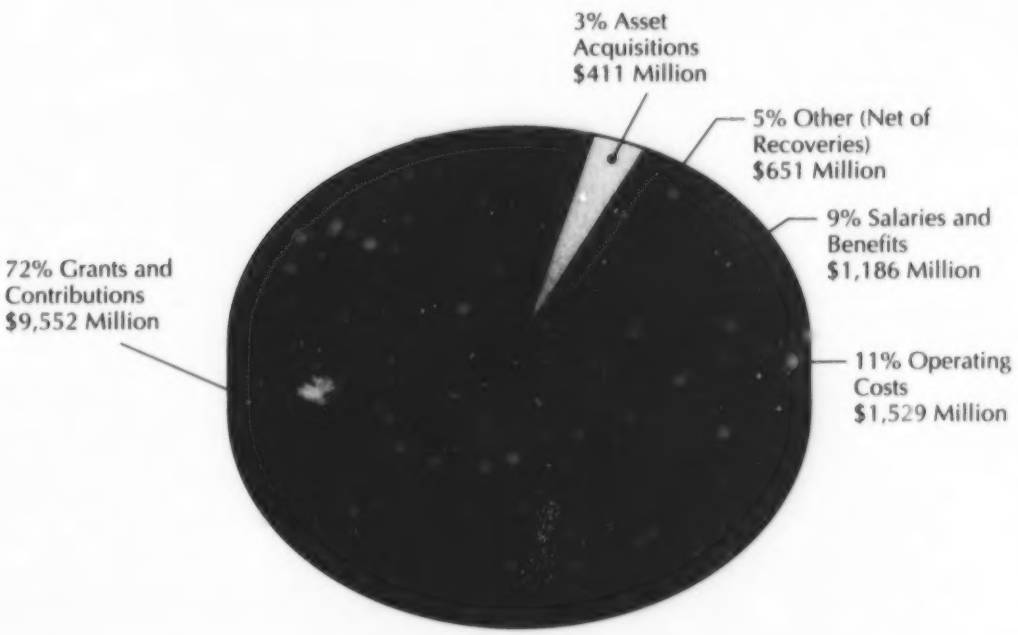
Expenditure by function is cost by the type of program and service provided. Several ministries may be responsible for different aspects of a single function. The functional category of an expenditure is determined by the objective of the program and how it relates to categories established by Statistics Canada for reporting government programs.

The accompanying chart shows the government's 1989/90 fiscal year spending of $13,329 million by major functional category. Expenditures on health, education and social services functions accounted for two-thirds of total provincial government expenditure.



EXPENDITURE ON GOODS AND SERVICES

The government spends money on a wide variety of goods and services to deliver government programs. The chart below breaks total government spending of $13,329 million into major categories of goods and or services acquired.


3% Asset Acquisitions $411 Million
5% Other (Net of Recoveries) $651 Million
9% Salaries and Benefits $1,186 Million
11% Operating Costs $1,529 Million
72% Grants and Contributions $9,552 Million

As can be seen, grants and contributions make up 72 percent of government spending. These payments are made to hospitals, schools, universities and colleges, local governments, societies, agencies and individuals.

Operating costs then make up another 11 percent of government spending and includes costs for such things as data processing, office rent, telephone, publications and advertising, travel and contracted services.

Salaries and benefits are the total payroll costs paid or payable to employees of the government and to elected officials.

Asset acquisition includes items obtained on long-term leases but does not include assets constructed by government personnel. For example, construction costs for a section of a highway or bridge built by government employees are included in salary and operating cost expenditures.

GOVERNMENT DEBT

The total debt outstanding of the province includes debt for government operating purposes, as well as funds borrowed by the province and reloaned to government corporations and other public bodies. Under the Fiscal Agency Loan program, the provincial government uses its ability to borrow at lower rates of interest to lower the cost of services to taxpayers by borrowing money on behalf of public bodies. There is also debt of other organizations for which the province has guaranteed payment, representing a potential debt which is included when calculating the gross government debt for this presentaion.

GOVERNMENT DEBT
AS AT MARCH 31, 1990

	($ Millions)
Public debt, used for government operating purposes	4,209
Public debt, used for the Fiscal Agency Loan program	4,917
Guaranteed debt	6,896
Total debt outstanding	16,022
Self-sustainable debt of public bodies	(8,081)
Total funded government debt	7,941
Total government debt per capita (to the nearest dollar)	2,601

Public Debt, Used for Government Operating and Investment Purposes

The provincial government borrows money to finance programs as well as to make investments or loans that will encourage the development and diversification of the province's economy.

By the end of fiscal 1989/90, the General Fund debt level for operating and investment purposes was $4,209 million ($1,378 per person), a reduction of $710 million ($233 per person) from the previous year. This compares favourably with government purpose debt of other Canadian provinces.

The reduction in debt was accomplished by:

- the government applying the $457 million cash flow generated from operating and investment activities;
- the application of $278 million of cash and temporary investments towards the retirement of government-purpose debt; and,
- a $25 million discount reduction which increased the public debt balance by that amount but did not represent a current year cash flow.

GOVERNMENT DEBT

Public Debt, Used for the Fiscal Agency Loan Program

Under the Fiscal Agency Loan program, the provincial government borrows funds on behalf of its clients and takes advantage of its favourable credit rating and larger issue denominations to borrow at lower rates of interest, which lowers the cost of financing to taxpayers.

Guaranteed Debt

Guaranteed debt relates to financial instruments which have been issued by government corporations and are unconditionally guaranteed by the province. Most of this debt was incurred by government corporations prior to the introduction of the Fiscal Agency Loan program in 1983. It also includes financial instruments issued by municipalities, improvement districts and local government entities, as well as loan guarantees extended by the province.

Self-sustainable Debt

Total government debt excludes any self-sustainable debt (fiscal agency or guaranteed debt) of government bodies. This debt consists primarily of commercial Crown corporations, including British Columbia Hydro and Power Authority and British Columbia Railway Company, who generate revenue from the sale of services at commercial rates and pay their own operating expenses, including debt servicing.

[redacted]

APPENDICES

1989-90

Public Accounts Digest

Province of British Columbia

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APPENDIX 1

The *Supply Act*

To obtain funds for provincial operations at the beginning of the fiscal year, the government requires approval of the Legislative Assembly.

The debate on the Estimates (see page 2) could take some time to complete, therefore the government requires an advance for its ongoing programs. An Interim Supply Bill is tabled to provide this advance. These Interim Supply Bills provide funds for government expenditure for one, two, or as many months as required before approval of the full Estimates is received. A final *Supply Act* is passed once all Votes have been approved by the Legislative Assembly.

Statutory Appropriations

In addition to the year-to-year approval provided by the *Supply Act(s)*, continuing spending authority is provided in other legislation to cover special programs such as fire suppression and flood relief. Programs with permanent spending power are said to have statutory authority.

Special Warrants

A final way in which spending authority is granted under legislation is by way of a Special Warrant. Under provision of the *Financial Administration Act*, such spending approval can be given by the Lieutenant Governor only if the Legislative Assembly is not in session and if the money is deemed, by the Lieutenant Governor in Council, as urgently and immediately required for the public good. Appropriations made by Special Warrant are subsequently reported to, and reviewed by, the Legislative Assembly in the next Supply Bill.

Public Accounts

The Public Accounts are the government's financial statements and are prepared by the Office of the Comptroller General (OCG). The OCG is similar to the comptroller's section in a large corporation. In addition to being responsible for preparing the Public Accounts, the Comptroller General is responsible for accounting and financial systems throughout government. The Comptroller General must ensure there is proper collection, disposition and recording of public money and must maintain the central accounts of government, issue directives and provide methods by which ministries and staff account for public money.

Auditor General's Report

In addition to expressing an opinion on the government's financial statements, the Auditor General publishes an annual report in which comments are made on various matters that are considered to require the attention of the Legislative Assembly. The Auditor General's annual report is generally tabled after the Public Accounts are issued. The government's response to the Auditor General's report is tabled by the Minister of Finance and Corporate Relations after the government has had time to consider the Auditor General's recommendations.

Public Accounts Committee

Once the Legislative Assembly receives the Public Accounts and the annual report of the Auditor General, the Select Standing Committee on Public Accounts assesses financial operations and administration of the government. This committee includes both government and opposition members of the Legislative Assembly and is traditionally chaired by a member of the Opposition. Many of the matters addressed by the committee directly relate to the Public Accounts.

STRUCTURE OF GOVERNMENT FINANCIAL STATEMENTS

APPENDIX 2

The government carries on its activities through a variety of appropriations, special funds, corporations and agencies.

General Fund

The General Fund is the operating account of government.

Special Funds

There were two Special Funds at March 31, 1990; the Budget Stabilization Fund and the Privatization Benefits Fund. These special funds were not part of the ongoing operations of the government.

Combined Financial Statements

These statements combine the Budget Stabilization Fund, the Privatization Benefits Fund, and the General Fund.

Consolidated Revenue Fund

The Consolidated Revenue Fund consists of the General Fund and Special Funds. All expenditure and revenue through the Consolidated Revenue Fund are reported in the government's combined financial statements.

Crown Corporations and Agencies

A number of government activities are carried out though Crown corporations and agencies. These activities range from self-sufficient, commercial business such as British Columbia Hydro and Power Authority to extensions of government programs carried out by organizations such as the Medical Services Commission.

GENERAL FUND	=	GENERAL FUND FINANCIAL STATEMENTS (MAIN OPERATING ACCOUNT AND SPECIAL ACCOUNTS)— SECTION A OF PUBLIC ACCOUNTS					
GENERAL FUND	+	**SPECIAL FUNDS** (Funds earmarked for specific purposes.)	=	COMBINED FINANCIAL STATEMENTS (CONSOLIDATED REVENUE FUND)— SECTION B OF PUBLIC ACCOUNTS			
GENERAL FUND	+	**SPECIAL FUNDS** (Funds earmarked for specific purposes.)	+	**GOVERNMENT ORGANIZATIONS AND ENTERPRISES**	=	CONSOLIDATED FINANCIAL STATEMENTS— SECTION C OF PUBLIC ACCOUNTS	

APPENDIX 3
(Unaudited)

Contents

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NOTE: These unaudited summary financial statements are derived from the government's audited financial statements which may be found in Sections A and B of Volume 1 of the 1989/90 Public Accounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The three main financial statements are as follows:

General Fund Financial Statements — Accounts included in these statements are the main operating accounts of the government, and special accounts which have a statutory spending authority.

Combined Financial Statements — (Consolidated Revenue Fund) Accounts included in these statements are those of the General Fund which include the main operating accounts of the government and Special Funds which include ear-marked revenue and funds set aside by the Legislative Assembly from the General Fund for specific purposes.

Consolidated Financial Statements — These statements include the accounts of the Consolidated Revenue Fund and the accounts of organizations which are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government.

In addition to the above, the Public Accounts contain the individual financial statements for all consolidated Crown corporations and agencies.

BASIS OF ACCOUNTING

The accrual basis of accounting (matching revenue and expenditure to the period in which it was earned or spent) is used in the preparation of these financial statements as explained below.

Revenue

All revenues are recorded on an accrual basis except where the accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable. The exceptions, which normally relate to certain payments to the province under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*, are recorded on a cash basis. Revenues from Crown corporations are recognized when cash transfers are received or when dividends are declared.

Expenditure

All expenditures, including the cost of fixed assets, are recorded for goods and services received during the year. Grants (which include forgivable loans) are recorded as expenditure when disbursement of the funds has been authorized. Contributions are recorded as expenditure at the earlier of:

(i) the date payment has been authorized; or,
(ii) the date on which performance conditions are achieved by the recipient under provisions of a statute, contract or agreement.

Recoveries of expenditure may be recorded as a credit to the appropriate expenditure account when:

(i) they can be specifically identified with the expenditure transactions and payment has actually been made from an appropriation;
(ii) provision for them has been approved through the Estimates; and,
(iii) the expenditure to which they relate was incurred in the same fiscal year.

Assets

All assets are recorded to the extent that they represent cash and claims upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets, not including special purpose buildings, are reported as expenditures at the dates of inception of the leases.

Liabilities

All liabilities are recorded to the extent that they represent claims payable to outside parties as a result of events and transactions prior to the year-end.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year-end and foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts which specify the rate of exchange. Adjustments to revenue or expenditure transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses on long-term, fixed-term monetary assets and liabilities are reported as deferred charges and amortized over the remaining terms of the related items on a straight line basis.

Non-monetary assets and liabilities are translated at historical rates of exchange.

Valuation Allowances

Valuation allowances, such as provisions for doubtful accounts and provisions for reduction in value of investments, are reported as non-operating transactions on the statement of revenue and expenditure. Personal and corporate income taxes are recorded net of tax credits and adjustments which are based upon revised assessments of actual tax revenue of previous taxation years. Tax credits and adjustments are not considered valuation allowances for purposes of this policy.

SPECIFIC POLICIES

Cash and Temporary Investments

Cash balances are shown after deducting outstanding cheques issued prior to the year-end. Cheques issued subsequent to the year-end relating to the previous year are included in accounts payable.

Temporary investments include short-term investments recorded at the lower of cost or market value.

Temporary investments consist mainly of units in the Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units, or market value. Income attributed to the units represents the unitholders' share of interest earned by the portfolio and is realizable by unitholders upon the sale of units.

Accounts Receivable

All amounts receivable (including any trade receivables from Crown corporations and agencies) at the year-end for work performed, goods supplied or services rendered are recorded as revenue or recoveries of the fiscal year. Provision is made where collectibility is considered doubtful.

Inventories

Inventories comprise items held for resale and are recorded at the lower of cost or net realizable value. Inventories of supplies are charged to the respective programs when the cost is incurred.

Property under development, which will eventually be sold to outside parties, is recorded at the lower of cost or net realizable value.

Investments In and Amounts Due from Crown Corporations and Agencies

Investments in and amounts due from Crown corporations and agencies represent long-term investments and amounts due, other than trade receivables, and are recorded at cost unless significant prolonged impairment in value has occurred, in which case they are written down to recognize this loss in value. If, in periods subsequent to recognizing this impairment, the value of the investment is restored, the investment is written up to the lesser of restored value or original cost.

Loans, Advances and Other Investments

Loans, advances and other investments are recorded at cost less adjustment for any prolonged impairment in value.

Mortgages Receivable

Mortgages receivable are secured by real estate and are repayable over periods ranging up to thirty years. Provision is made where collectibility is considered doubtful.

SPECIFIC POLICIES — *continued*

Fiscal Agency Loan Program

Fiscal Agency Loan program consist of loans made to government bodies, and cash and temporary investments set aside for the specific purpose of loaning to government bodies. Loans are recorded at maturity value less unamortized discounts and sinking fund balances. Discounts are amortized on an effective yield basis.

Other Assets

Other assets include prepaid program costs. Prepaid program costs represent expenditures made during the fiscal year for work to be performed, goods to be supplied, services to be rendered or contractual obligations to be fulfilled by outside parties in a subsequent fiscal year. These costs also include inventories of operating materials held in the Purchasing Commission and Queen's Printer warehouses pending distributions in a subsequent fiscal year.

Also included in other assets are certain deferred charges.

Fixed Assets

Disbursements for fixed assets are recorded as expenditures in the year the assets are received. Consistent with the reporting of fixed assets as expenditures, highways, bridges, wharves, ferries and ferry landings, buildings, office equipment, furniture, automobiles and Crown land comprised of parks, forests and all other publicly held land in the province, not including property under development, are recorded at a nominal value of $1.

Accounts Payable and Accrued Liabilities

All amounts payable (including trade payables to Crown corporations and agencies) for work performed, goods supplied, services known to have been rendered or for charges incurred in accordance with the terms of a contract are recorded as part of the expenditure of the fiscal year.

Due to Crown Corporations, Agencies and Funds

Amounts due to Crown corporations, agencies and funds represent liabilities incurred, other than trade payables, which are payable in the following year.

Deferred Revenue

Deferred revenue represents amounts received or receivable prior to the year-end relating to revenue that will be earned in subsequent fiscal years.

Public Debt

Public debt represents direct debt obligations for the purposes of the Government of British Columbia and the Fiscal Agency Loan program. These obligations are recorded at principal less unamortized discounts and sinking fund balances where applicable. Discounts are amortized on an effective yield basis.

Guaranteed Debt

Guaranteed debt represents that debt of municipalities and other local governments, private enterprises and individuals, and debt and minority interests of provincial Crown corporations, which has been explicitly guaranteed or indemnified by the government, under the authority of a statute, as to net principal or redemption provisions.

Commitments

Commitments represent future obligations of the government for capital contracts and extraordinary program commitments, to the extent of contracts and agreements in place at the year-end.

GENERAL FUND BALANCE SHEET
AS AT MARCH 31, 1990

	($ Millions) 1990	1989
ASSETS		
Cash and temporary investments	400	678
Accounts receivable	1,027	939
Inventories	55	69
Investments in and amounts due from Crown corporations and agencies	664	618
Loans, advances and other investments	353	274
Mortgages receivable	135	418
Fiscal Agency Loan program	4,914	3,811
Other assets	25	30
	7,573	**6,837**
LIABILITIES AND NET EQUITY (DEFICIENCY)		
Liabilities:		
Accounts payable and accrued liabilities	1,070	1,025
Due to Crown corporations, agencies and funds	1,797	1,652
Deferred revenue	269	253
Public debt, used for government operating purposes	4,209	4,919
Public debt, used for Fiscal Agency Loan program	4,917	3,813
	12,262	11,662
Net equity (deficiency)	(4,689)	(4,825)
	7,573	**6,837**

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990	1989
REVENUE		
Taxation	7,969	6,974
Natural resources	1,249	1,271
Other	1,584	1,408
Privatization transactions	85	309
Transfer from Budget Stabilization Fund	500	
Contributions from government enterprises	532	438
Contributions from the federal government	2,101	2,110
Gross revenue	14,020	12,510
Less: Transfer to Budget Stabilization Fund	(448)	(592)
Transfers to Privatization Benefits Fund	(85)	(309)
Net revenue	**13,487**	**11,609**
EXPENDITURE		
Health	4,500	4,012
Social services	1,504	1,411
Education	3,181	2,881
Protection of persons and property	618	548
Transportation	1,199	829
Natural resources and economic development	991	848
Other	448	405
General government	217	207
Debt servicing—third parties	510	530
Debt servicing—Budget Stabilization Fund	161	77
Transfer from Lottery Fund Special Account to Budget Stabilization Fund		79
Total operating expenditure	**13,329**	**11,827**
Net Operating Revenue (Expenditure) for the Year	**158**	**(218)**
NON-OPERATING TRANSACTIONS		
Valuation allowances	(22)	(81)
Accounting adjustment for recognition of grants paid for social assistance payments		(31)
Accounting adjustment for reclassification of British Columbia Liquor Distribution Branch to modified equity basis		9
Net Revenue (Expenditure) for the Year	**136**	**(321)**

GENERAL FUND STATEMENT OF CASH FLOW FROM OPERATING AND INVESTMENT ACTIVITIES FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990	1989
CASH FLOW GENERATED		
Total operating revenue	13,487	11,609
Less non-cash items	(88)	(142)
Total operating cash resources	13,399	11,467
Cash items applicable to future operations	31	181
Mortgage repayments	285	
Divestment of Crown corporations		400
Other assets		2
TOTAL CASH FLOW GENERATED	**13,715**	**12,050**
CASH FLOW DEPLOYED		
Total operating expenditure	13,329	11,827
Less non-cash items	(207)	(698)
Total operating cash requirements	13,122	11,129
Investment in Crown corporations	46	
Loans, advances and other investments	90	146
Mortgages issued		99
TOTAL CASH FLOW DEPLOYED	**13,258**	**11,374**
NET CASH FLOW GENERATED	**457**	**676**

GENERAL FUND FINANCING ACTIVITIES FOR THE FISCAL YEAR ENDED MARCH 31, 1990

Net cash generated from operating and investment activities	457	676
Decrease (increase) in cash and temporary investments	278	(562)
DEBT RETIREMENT FOR THE YEAR	**735**	**114**

GENERAL FUND REVENUE BY SOURCE
FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990		1989
	Estimated	Actual	Actual
Taxation Revenue			
Personal income	3,215	3,452	2,995
Corporation income	744	666	600
Social service	1,852	1,987	1,717
Fuel	514	500	469
Tobacco	316	315	259
Property purchase	248	317	249
Other	744	734	683
Valuation allowances		(2)	2
	7,633	7,969	6,974
Natural Resource Revenue			
Petroleum and natural gas	217	227	240
Minerals	84	73	75
Forests	646	697	678
Water resources	247	236	255
Wildlife	15	14	13
Valuation allowances		2	10
	1,209	1,249	1,271
Other Revenue			
Fees and licences	1,219	1,272	1,173
Interest from investments	116	168	134
Miscellaneous	91	141	97
Valuation allowances		3	4
	1,426	1,584	1,408
Privatization Transactions		85	309
Transfer from Budget Stabilization Fund	500	500	
Contributions from Government Enterprises			
British Columbia Liquor Distribution Branch	413	420	415
Other	129	112	23
	542	532	438
Contributions from the Federal Government			
Established Programs Financing	1,303	1,240	1,230
Canada Assistance Plan	690	687	668
Other	184	174	212
	2,177	2,101	2,110
Gross Revenue	13,487	14,020	12,510
Less: Transfer to Budget Stabilization Fund		(448)	(592)
Transfer to Privatization Benefits Fund		(85)	(309)
	13,487	13,487	11,609

GENERAL FUND OPERATING EXPENDITURE BY MINISTRY FOR THE FISCAL YEAR ENDED MARCH 31, 1990

($ Millions)

	1990		1989
	Budget	Actual	Actual
Legislation	18	18	16
Auditor General	6	6	5
Ombudsman	3	3	3
Office of the Premier and Executive Council Operations	4	3	3
Advanced Education, Training and Technology	992	986	913
Agriculture and Fisheries	104	99	90
Attorney General	226	249	205
Education	2,224	2,220	1,979
Energy, Mines and Petroleum Resources	36	33	29
Finance and Corporate Relations	73	84	85
Forests	558	538	482
Government Management Services and Minister Responsible for Women's Programs	35	29	45
Health	4,309	4,372	3,930
International Business and Immigration	32	31	28
Labour and Consumer Services	77	76	62
Municipal Affairs, Recreation and Culture	362	329	293
Regional and Economic Development	77	74	51
Crown Lands	43	67	59
Environment	121	115	87
Native Affairs	5	8	3
Parks	35	34	32
Social Services and Housing	1,610	1,572	1,432
Solicitor General	332	334	302
Provincial Secretary	23	30	23
Tourism	23	23	27
Transportation and Highways	1,198	1,198	826
Management of Public Funds and Debt	651	674	612
Contingencies	50	24	22
New Programs	45	9	61
South Moresby Implementation — Forestry Compensation	33		
Lottery Fund Special Account	182	110	164
Other			23
Net Operating Expenditure	13,487	13,348	11,892
Less: Valuation allowances		19	65
Total Operating Expenditure	13,487	13,329	11,827

Expenditure figures for 1988/89 and budget figures for 1989/90 have been re-stated to reflect the government structure as of March 31, 1990.

COMBINED BALANCE SHEET
AS AT MARCH 31, 1990

	($ Millions) 1990	1989
ASSETS		
Cash and temporary investments	400	679
Accounts receivable	1,026	930
Inventories	55	69
Investments in and amounts due from Crown corporations and agencies	664	618
Loans, advances and other investments	775	592
Mortgages receivable	135	418
Fiscal Agency Loan program	4,914	3,811
Other assets	25	30
	7,994	**7,147**
LIABILITIES AND NET EQUITY (DEFICIENCY)		
Liabilities:		
Accounts payable and accrued liabilities	1,069	1,025
Due to Crown corporations, agencies and trust funds	197	161
Deferred revenue	269	253
Public debt, used for government operating purposes	4,209	4,919
Public debt, used for Fiscal Agency Loan program	4,917	3,813
	10,661	10,171
Net equity (deficiency)	(2,667)	(3,024)
	7,994	**7,147**

COMBINED STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990	1989
REVENUE		
Taxation	7,969	6,974
Natural resources	1,249	1,271
Other	1,696	1,717
Contributions from government enterprises	532	438
Contributions from the federal government	2,101	2,110
Total revenue	**13,547**	**12,510**
EXPENDITURE		
Health	4,500	4,012
Social services	1,504	1,411
Education	3,181	2,881
Protection of persons and property	618	548
Transportation	1,199	829
Natural resources and economic development	991	848
Other	448	405
General government	217	207
Debt servicing	510	530
Total operating expenditure	**13,168**	**11,671**
Net Operating Revenue for the Year	**379**	**839**
NON-OPERATING TRANSACTIONS		
Valuation allowances	(22)	(81)
Accounting adjustment for recognition of grants paid for social assistance payments		(31)
Accounting adjustment for reclassification of British Columbia Liquor Distribution Branch to modified equity basis		9
Net Revenue for the Year	**357**	**736**

BUDGET STABILIZATION FUND BALANCE SHEET AS AT MARCH 31, 1990

	($ Millions) 1990	1989
ASSETS		
Due from the General Fund	1,600	1,491
	1,600	**1,491**
NET EQUITY		
Net equity — beginning of year	1,491	743
Net revenue for the year	109	748
Net equity — end of year	**1,600**	**1,491**

BUDGET STABILIZATION FUND STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990	1989
REVENUE		
Interest revenue	161	77
Transfer from General Fund	448	592
Transfer from Lottery Fund Special Account		79
Total revenue	609	748
EXPENDITURE		
Payment to General Fund	500	
Net Revenue for the year, to net equity	**109**	**748**

COMBINED FINANCIAL STATEMENTS

PRIVATIZATION BENEFITS FUND BALANCE SHEET AS AT MARCH 31, 1990

	($ Millions) 1990	1989
ASSETS		
Cash and temporary investments	137	296
Accounts receivable	7	2
Loans, advances and other investments	276	20
Other (Unrealized foreign exchange loss)	2	
	422	**318**
LIABILITIES		
Liabilities:		
Due to general fund	1	9
	1	9
NET EQUITY		
Net equity — beginning of year	309	
Net revenue for the year	112	309
Net equity — end of year	421	309
	422	**318**

PRIVATIZATION BENEFITS FUND STATEMENT OF REVENUE AND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1990

	($ Millions) 1990		1989	
REVENUE				
Income from investments		39		13
Net proceeds from privatization transactions:				
British Columbia Hydro and Power Authority	8		221	
British Columbia Enterprise Corporation	61		43	
Highways maintenance	15		37	
Forests — nurseries	1		7	
Other			1	
		85		309
Total revenue		124		322
EXPENDITURE				
Payment to General Fund		12		13
Net Revenue for the year, to net equity		**112**		**309**